

# AGENCY ESTIMATE

## OF THE FISCAL IMPACT OF IMPLEMENTING

### REVISED SB 65 2011 General Session

#### REVISED - Statewide Online Education Program

Sponsor: Sen. Howard A Stephenson  
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#### A. Short Form (For bills that have no impact on the state, local governments, businesses, or individuals.)

If you can check all five boxes to the right, you're almost done. If the bill obviously doesn't have an impact, you're done.

- |                                     |   |
|-------------------------------------|---|
| <input type="checkbox"/>            | State agencies will not require an appropriation to implement the bill. |
| <input type="checkbox"/>            | There is no fiscal impact on local governments.                         |
| <input type="checkbox"/>            | There is no fiscal impact on businesses                                 |
| <input checked="" type="checkbox"/> | There is no fiscal impact on individuals.                               |
| <input type="checkbox"/>            | The bill will not affect revenues.                                      |

If it isn't so obvious, explain what's going on. The most usual explanation is the codification of existing practices.

If necessary, explain why this bill has no fiscal impact.

Attachments welcome.

#### B. What parts of the bill cause fiscal impact?

Cite specific sections or line numbers.

This bill creates the Statewide Online Education Program which will require significant resources at both the State and local level.

#### C. Which program gets the appropriation?

Enter 3 letter Appropriation Unit Code.

#### For multiple appropriations

This is  of

#### D. Work Notes: Assumptions, calculations & what are we buying?

Explain the fiscal impact in plain English, detailing your assumptions, methods, & calculations.

List all direct costs. Identify one-time and ongoing costs. Detail FTE impacts.

Do not say, "\$50,000 in Current Expense." Be very specific about what this \$50,000 will buy.

Attachments encouraged.

See the **REVISED** attached analysis spreadsheets for more details. Users of the attached document can adjust the assumption numbers to see the effects on costs and revenues as appropriate. However, note that the items in Black are data, and those in Blue are formulas. For every 1% of the projected high school student population of the 2011-12 school year that choose to take online courses from an Online Course Provider (OCP), over \$3.5 million dollars would be diverted from the Minimum School Program (MSP) to the OCPs.

In the initial year, the bill will require an additional State appropriation of \$2.2 million to the USOE to implement and maintain a new USOE Online Education Program section, which includes the cost of development and maintenance of a new financial, data collection, and reporting system. PART D. CONTINUED BELOW.

#### E. REVENUES

Select Fund	Current Budget Year FY 2011	Coming Budget Year FY 2012	Future Budget Year FY 2013
Uniform School Fund		\$ (3,514,226)	(3,514,226)
Uniform School Fund		2,156,543	1,297,043
<b>Total</b>	<b>0</b>	<b>(1,357,683)</b>	<b>(2,217,183)</b>

#### F. COSTS by FUND

Select Fund	Current Budget Year FY 2011	Coming Budget Year FY 2012	Future Budget Year FY 2013
Uniform School Fund		2,472,168	1,297,043

<b>Total</b>	<b>0</b>	<b>2,472,168</b>	<b>1,297,043</b>

### G. COSTS by EXPENDITURE CATEGORY.

Expenses by Category	Current Budget Year FY 2011	Coming Budget Year FY 2012	Future Budget Year FY 2013
Personal Services		1,317,668	1,161,543
Travel		35,000	35,000
Current Expense		1,069,500	100,500
DP Current Expense			
DP Capital Outlay			
Capital Outlay		50,000	
Other/Pass Thru			
<b>Total</b>	<b>0</b>	<b>2,472,168</b>	<b>1,297,043</b>

### H. Non-State Impacts

Your estimate of how will the bill affect:

#### Local Governments

The costs to LEAs would be the diverted revenue (\$1,073 per course equals \$3.5 million in diverted revenue for every 1.0% of online course enrollment shift) , personnel services to provide additional counselors, changes to registration materials, and updating websites. There is not a reasonable cost saving in the reduction of course load at the LEAs because there will not be enough online classes concentrated in a single subject area or LEA to warrant laying off teachers.

#### Businesses

The bill provides that when SB 65 takes effect, a public or private person may apply to be an OCP. This will allow entities, both inside and outside the state, to apply to become OCPs.

#### Individuals

Students will have options to take online courses from multiple entities, but will be limited to 2 credits the first year, 3 credits the 2nd year, 4 credits the 3rd year, 5 credits the 4th year, and 6 credits the 5th year.

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This is a draft fiscal note response from the Utah State Office of Education (USOE) and may be revised in the future.

Attachments welcome.

PART D. CONTINUED - An additional \$315,625 state appropriation into the MSP is necessary to fund the administrative costs for the program at the LEA level.

The bill provides that the USOE may charge the OCPs an administrative cost recovery fee. One manner to collect the fee would be to charge an application fee when OCPs apply to be accredited. Assuming that 25 OCPs apply in the first year, the application fee charged to each OCP for full cost recovery would be approximately \$86,262. In year two, where initial start up costs are no longer necessary, that fee would be lower at 51,882--assuming again 25 applicants. Another manner would be to charge an amount per online course enrollment and deduct it from the fee that would be sent the OCP, presuming this is allowed under S.B. 65's language. If only the ongoing costs are recovered in the first year, and we assume 1.0% OCP enrollment market share at 2.0 courses per student, that fee would be \$395.94. However, because that calculation is variable and dependent upon the number of online course enrollments, the amount is reduced substantially for every 1.0% additional market share captured by OCPs. For example, if OCPs attained 10.0% market share instead of 1.0%, it would only be necessary to exact \$39.59 per online enrollment for full administrative cost recovery. However, there is no assurance that the cost recovery revenue will materialize because the number of OCPs that will apply each year and/or the number of online enrollments that would occur are speculative estimates at best.

Because of the time, effort, and resources needed to get a new program up and running, the effective date of July 1, 2011 is not reasonably achievable with current systems and resources, or the additional resources and systems indicated in this note. It would require at least one year to hire personnel, organize and set up the section, as well as go through an RFP process to create and develop the financial and data system to bifurcate data at the course level.